

## **BILL ANALYSIS**

C.S.H.B. 2291  
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Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Current law sets forth procedures for the governing body of a taxing unit to calculate the unit's property tax rate. A taxing unit other than a school district, after receipt of the unit's total appraised value, is required to calculate the rate that would generate the same amount of revenue as in the previous fiscal year minus service on debt obligations. Each unit also must calculate the tax rate that, if applied to the unit's total taxable value, will impose the amount of taxes needed to fund maintenance and operation expenditures for the next fiscal year. Taxing units calculate and publicize the tax rate the unit seeks to adopt using the preceding fiscal year's tax rate. If the unit's total appraised value has increased, a tax rate that is the same as the rate adopted the preceding year will generate additional revenue for the unit. The bill seeks to make the tax rate adoption process more transparent and more adequately inform property owners of a proposed tax increase.

C.S.H.B. 2291 specifies that the effective tax rate of a taxing unit, other than a school district, is the unit's tax rate for the current fiscal year unless the unit specifically votes to adopt a tax rate that is higher or lower than its effective tax rate.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 2291 amends the Tax Code to establish that the property tax rate of a taxing unit other than a school district for the current tax year is the unit's effective tax rate and that such a tax rate is treated as the unit's adopted tax rate unless the governing body of the unit adopts a tax rate that is higher or lower than the unit's effective tax rate. The bill requires a governing body of a taxing unit, if it elects to adopt a property tax rate that is higher or lower than the unit's effective tax rate, to comply with the procedure for adoption of a tax rate currently required by state law, including the procedure for setting a tax rate that exceeds the unit's effective tax rate, if applicable. The bill requires the meeting at which the vote is taken on the ordinance, resolution, or order setting the tax rate to be an open meeting. The bill requires a governing body of a taxing unit, if it elects to adopt a property tax rate that exceeds the lower of the unit's rollback tax rate or effective tax rate calculated under these provisions, to hold two public hearings on the tax rate and to otherwise comply with provisions relating to the notice, public hearing, vote, and supplemental notice of a public hearing on a tax increase. The bill applies the provision relating to the property tax rate of a governing body when it does not adopt a tax rate before the required date to a school district, rather than to a taxing unit.

C.S.H.B. 2291 makes its provisions applicable to the property tax rate of a taxing unit beginning with the 2009 tax year, unless the governing body of a taxing unit adopted a property tax rate for the 2009 tax year before the bill's effective date, in which case the bill's provisions apply to the property tax rate of that taxing unit beginning with the 2010 tax year, and the law in effect when

the tax rate was adopted applies to the 2009 tax year with respect to that taxing unit.

**EFFECTIVE DATE**

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

**COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 2291 differs from the original by changing the caption to specify that the bill relates to the procedure to be used by a taxing unit other than a school district in adopting a property tax rate, rather than to the adoption of a property tax rate by a taxing unit other than a school district.